Senate

General Assembly **File No. 703**

January Session, 2005 Substitute Senate Bill No. 1321

Senate, May 5, 2005

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING VARIOUS TAXES AND OTHER PROVISIONS RELATED TO REVENUES OF THE STATE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (e) of section 3-62h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(e) The State Bond Commission may, prior to June 30, **[**2005**]** <u>2007</u>, authorize the issuance of abandoned property fund bonds in one or more series and in principal amounts not to exceed sixty million dollars plus such additional amount of abandoned property fund bonds required to fund Special Abandoned Property Fund financing costs in accordance with the proceedings authorizing the abandoned property fund bonds for the purpose of disbursing funds to the General Fund in support of state programs. Such abandoned property fund bonds are hereby determined to be issued for valid public

[proposes**]** <u>purposes</u> in the exercise of essential government functions.

Sec. 2. Subsection (b) of section 12-214 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2005*):

(b) (1) With respect to income years commencing on or after January 1, 1989, and prior to January 1, 1992, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to twenty per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(2) With respect to income years commencing on or after January 1, 1992, and prior to January 1, 1993, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to ten per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(3) With respect to income years commencing on or after January 1, 2003, and prior to January 1, 2004, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to twenty per cent of the tax calculated under said subsection (a) **[**or section 91 of public act 03-1 of the June 30 special session*,**]** for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this

subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(4) With respect to income years commencing on or after January 1, 2004, and prior to January 1, 2005, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to twenty-five per cent of the tax calculated under said subsection (a) **[**or section 91 of public act 03-1 of the June 30 special session*,**]** for such income year, without reduction of the tax so calculated by the amount of any credit against such tax, except that any company that pays the minimum tax of two hundred fifty dollars under section 12-219, as amended by this act, or 12-223c for such income year shall not be subject to the additional tax imposed by this subdivision. The additional amount of tax determined under this subdivision for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(5) With respect to income years commencing on or after January 1, 2005, and prior to January 1, 2006, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to ten per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(6) With respect to income years commencing on or after January 1, 2006, and prior to January 1, 2007, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to fifteen per cent of the tax calculated under said subsection (a) for such income

year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(7) With respect to income years commencing on or after January 1, 2007, and prior to January 1, 2008, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to fifteen per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

Sec. 3. Subsection (b) of section 12-219 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2005*):

(b) (1) With respect to income years commencing on or after January 1, 1989, and prior to January 1, 1992, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to twenty per cent of the additional tax so calculated for such income year, without reduction of the additional tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(2) With respect to income years commencing on or after January 1, 1992, and prior to January 1, 1993, the additional tax imposed on any company and calculated in accordance with subsection (a) of this

section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to ten per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(3) With respect to income years commencing on or after January 1, 2003, and prior to January 1, 2004, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section **[**or section 91 of public act 03-1 of the June 30 special session*,**]** shall, for each such income year, be increased by adding thereto an amount equal to twenty per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(4) With respect to income years commencing on or after January 1, 2004, and prior to January 1, 2005, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section **[**or section 91 of public act 03-1 of the June 30 special session*,**]** shall, for each such income year, be increased by adding thereto an amount equal to twenty-five per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax, except that any company that pays the minimum tax of two hundred fifty dollars under this section or section 12-223c for such income year shall not be subject to such additional tax. The increased amount of tax payable by any company under this subdivision, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(5) With respect to income years commencing on or after January 1, 2005, and prior to January 1, 2006, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to ten per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(6) With respect to income years commencing on or after January 1, 2006, and prior to January 1, 2007, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to fifteen per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(7) With respect to income years commencing on or after January 1, 2007, and prior to January 1, 2008, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to fifteen per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

Sec. 4. Subsections (d) and (e) of section 12-344 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to calendar years commencing on or after January 1, 2005*):

(d) The tax under this section applicable to the net taxable estate of any transferor, whose death occurs on or after January 1, 1999, passing to a class B beneficiary shall be imposed as follows: (1) If the death of the transferor occurs on or after January 1, 1999, but prior to January 1, 2000, at the rate of (A) six per cent on the amount in excess of two hundred thousand dollars in value to and including two hundred fifty thousand dollars, (B) seven per cent on the amount in excess of two hundred fifty thousand dollars in value to and including four hundred thousand dollars, (C) eight per cent on the amount in excess of four hundred thousand dollars in value to and including six hundred thousand dollars, (D) nine per cent on the amount in excess of six hundred thousand dollars in value to and including one million dollars, and (E) ten per cent on the amount in excess of one million dollars in value, (2) if the death of the transferor occurs on or after January 1, 2000, but prior to January 1, 2001, at the rate of (A) eight per cent on the amount in excess of four hundred thousand dollars in value to and including six hundred thousand dollars, (B) nine per cent on the amount in excess of six hundred thousand dollars in value to and including one million dollars, and (C) ten per cent on the amount in excess of one million dollars in value, (3) if the death of the transferor occurs on or after January 1, 2001, but prior to January 1, 2005, at the rate of (A) nine per cent on the amount in excess of six hundred thousand dollars in value to and including one million dollars, and (B) ten per cent on the amount in excess of one million dollars in value, (4) if the death of the transferor occurs on or after January 1, 2005, **[**but prior to January 1, 2006, at the rate of eight per cent on the amount in excess of one million five hundred thousand dollars in value, and (5) if the death of the transferor occurs on or after January 1, 2006,**]** the net taxable estate passing to a class B beneficiary shall not be subject to tax under this chapter.

(e) The tax under this section applicable to the net taxable estate of any transferor, whose death occurs on or after January 1, 2001, passing to a class C beneficiary shall be imposed as follows: (1) If the death of the transferor occurs on or after January 1, 2001, but prior to January 1, 2005, at the rate of (A) ten per cent on the amount in excess of two hundred thousand dollars in value to and including two hundred fifty thousand dollars, (B) eleven per cent on the amount in excess of two hundred fifty thousand dollars in value to and including four hundred thousand dollars, (C) twelve per cent on the amount in excess of four hundred thousand dollars in value to and including six hundred thousand dollars, (D) thirteen per cent on the amount in excess of six hundred thousand dollars in value to and including one million dollars, and (E) fourteen per cent on the amount in excess of one million dollars in value, (2) if the death of the transferor occurs on or after January 1, 2005, **[**but prior to January 1, 2006, at the rate of (A) twelve per cent on the amount in excess of four hundred thousand dollars in value to and including six hundred thousand dollars, (B) thirteen per cent on the amount in excess of six hundred thousand dollars in value to and including one million dollars, and (C) fourteen per cent on the amount in excess of one million dollars in value, (3) if the death of the transferor occurs on or after January 1, 2006, but prior to January 1, 2007, at the rate of (A) thirteen per cent on the amount in excess of six hundred thousand dollars in value to and including one million dollars, and (B) fourteen per cent on the amount in excess of one million dollars in value, (4) if the death of the transferor occurs on or after January 1, 2007, but prior to January 1, 2008, at the rate of fourteen per cent on the amount in excess of one million five hundred thousand dollars in value, and (5) if the death of the transferor occurs on or after January 1, 2008,**]** the net taxable estate passing to a class C beneficiary shall not be subject to tax under this chapter.

Sec. 5. Subsection (a) of section 12-642 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to calendar years commencing on or after January 1, 2005*):

(a) (1) With respect to calendar years commencing prior to January 1, 2001, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Not over $25,000	1%
Over $25,000	$250, plus 2% of the excess
but not over $50,000	over $25,000
Over $50,000	$750, plus 3% of the excess
but not over $75,000	over $50,000
Over $75,000	$1,500, plus 4% of the excess
but not over $100,000	over $75,000
Over $100,000	$2,500, plus 5% of the excess
but not over $200,000	over $100,000
Over $200,000	$7,500, plus 6% of the excess
	over $200,000

(2) With respect to the calendar years commencing January 1, 2001, January 1, 2002, January 1, 2003, and January 1, 2004, **[**and January 1, 2005,**]** the tax imposed by section 12-640 for each such calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $25,000	$250, plus 2% of the excess
but not over $50,000	over $25,000
Over $50,000	$750, plus 3% of the excess
but not over $75,000	over $50,000
Over $75,000	$1,500, plus 4% of the excess
but not over $100,000	over $75,000
Over $100,000	$2,500, plus 5% of the excess
but not over $675,000	over $100,000
Over $675,000	$31,250, plus 6% of the excess
	over $675,000

[(3) With respect to the calendar year commencing January 1, 2006, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $50,000	$750, plus 3% of the excess
but not over $75,000	over $50,000
Over $75,000	$1,500, plus 4% of the excess
but not over $100,000	over $75,000
Over $100,000	$2,500, plus 5% of the excess
but not over $700,000	over $100,000
Over $700,000	$32,500, plus 6% of the excess
	over $700,000

(4) With respect to the calendar year commencing January 1, 2007, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $75,000	$1,500, plus 4% of the excess
but not over $100,000	over $75,000
Over $100,000	$2,500, plus 5% of the excess
but not over $700,000	over $100,000
Over $700,000	$32,500, plus 6% of the excess
	over $700,000

(5) With respect to the calendar year commencing January 1, 2008, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $100,000	$2,500, plus 5% of the excess
but not over $850,000	over $100,000
Over $850,000	$40,000, plus 6% of the excess
	over $850,000

(6) With respect to the calendar year commencing January 1, 2009, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax

Over $950,000	$45,000, plus 6% of the excess over $950,000

(7) With respect to the calendar year commencing January 1, 2010, and each calendar year thereafter, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $1,000,000	$47,500, plus 6% of the excess over $1,000,000]

(3) On and after January 1, 2005, for the total amount of Connecticut taxable gifts that exceeds one million dollars, the tax imposed by section 12-640 for the calendar year shall be at the rate set forth in the following schedule, with a credit allowed against such tax for any taxes paid to this state pursuant to this subdivision on or after January 1, 2005:

Amount of Taxable Gifts	Rate of Tax
Not over $1,000,000	None
Over $1,000,000 but not over $1,093,785	41% of the excess over $1,000,000
Over $1,093,785 but not over $1,100,000	$38,452 plus 5.6% of the excess over $1,093,785
Over $1,100,000 but not over $1,600,000	$38,800 plus 6.4% of the excess over $1,100,000
Over $1,600,000 but not over $2,100,000	$70,800 plus 7.2% of the excess over $1,600,000
Over $2,100,000 but not over $2,600,000	$106,800 plus 8% of the excess over $2,100,000
Over $2,600,000 but not over $3,100,000	$146,800 plus 8.8% of the excess over $2,600,000
Over $3,100,000 but not over $3,600,000	$190,800 plus 9.6% of the excess over $3,100,000
Over $3,600,000 but not over $4,100,000	$238,800 plus 10.4% of the excess over $3,600,000
Over $4,100,000 but not over $5,100,000	$290,800 plus 11.2% of the excess over $4,100,000
Over $5,100,000	$402,800 plus 12% of the excess

but not over $6,100,000	over $5,100,000
Over $6,100,000 but not over $7,100,000	$522,800 plus 12.8% of the excess over $6,100,000
Over $7,100,000 but not over $8,100,000	$650,800 plus 13.6% of the excess over $7,100,000
Over $8,100,000 but not over $9,100,000	$786,800 plus 14.4% of the excess over $8,100,000
Over $9,100,000 but not over $10,100,000	$930,800 plus 15.2% of the excess over $9,100,000
Over $10,100,000	$1,082,800 plus 16% of the excess over $10,100,000

Sec. 6. Section 12-643 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to calendar years commencing on or after January 1, 2005*):

(a) The term "taxable gifts" means the transfers by gift which are included in taxable gifts for federal gift tax purposes under Section 2503 and Sections 2511 to 2514, inclusive, and Sections 2516 to 2519, inclusive, of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, less the deductions allowed in Sections 2522 to 2524, inclusive, of said Internal Revenue Code, except in the event of repeal of the federal gift tax, than all references to the Internal Revenue Code in this section shall mean the Internal Revenue Code as in force on the day prior to the effective date of such repeal.

(b) In the administration of the tax under this chapter, the Commissioner of Revenue Services shall apply the provisions of Sections 2701 to 2704, inclusive, of said Internal Revenue Code. The words "secretary or his delegate" as used in the aforementioned sections of the Internal Revenue Code means the Commissioner of Revenue Services.

(c) The term "Connecticut taxable gifts" means the aggregate sum of taxable gifts made for all calendar years beginning January 1, 2005, by residents of this state, or gifts of real estate or tangible personal

<u>property located within this state made by nonresidents for all calendar years commencing January 1, 2005. "Connecticut taxable gifts" does not include tangible personal property or real estate having a situs outside the state of Connecticut.</u>

Sec. 7. Section 12-391 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to estates of decedents who die on or after January 1, 2005*):

(a) **[**A**]** <u>With respect to estates of decedents who die prior to January 1, 2005, a</u> tax is imposed upon the transfer of the estate of each person who at the time of death was a resident of this state. The amount of the tax shall be the amount of the federal credit allowable for estate, inheritance, legacy and succession taxes paid to any state or the District of Columbia under the provisions of the federal internal revenue code in force at the date of such decedent's death in respect to any property owned by such decedent or subject to such taxes as part of or in connection with the estate of such decedent. If real or tangible personal property of such decedent is located outside of this state and is subject to estate, inheritance, legacy, or succession taxes by any state or states, other than the state of Connecticut, or by the District of Columbia for which such federal credit is allowable, the amount of tax due under this section shall be reduced by the lesser of: (1) The amount of any such taxes paid to such other state or states or said district and allowed as a credit against the federal estate tax; or (2) an amount computed by multiplying such federal credit by a fraction, (A) the numerator of which is the value of that part of the decedent's gross estate over which such other state or states or said district have jurisdiction for estate tax purposes to the same extent to which this state would assert jurisdiction for estate tax purposes under this chapter with respect to the residents of such other state or states or said district, and (B) the denominator of which is the value of the decedent's gross estate. Property of a resident estate over which this state has jurisdiction for estate tax purposes includes real property situated in this state, tangible personal property having an actual situs in this state, and intangible personal property owned by the decedent, regardless of where it is located. The amount of any estate tax imposed under this subsection shall also be reduced, but not below zero, by the amount of any tax that is imposed under chapter 216 and that is actually paid to this state.

(b) **[**A**]** With respect to the estates of decedents who die prior to January 1, 2005, a tax is imposed upon the transfer of the estate of each person who at the time of death was a nonresident of this state, the amount of which shall be computed by multiplying (1) the federal credit allowable for estate, inheritance, legacy, and succession taxes paid to any state or states or the District of Columbia under the provisions of the federal internal revenue code in force at the date of such decedent's death in respect to any property owned by such decedent or subject to such taxes as a part of or in connection with the estate of such decedent by (2) a fraction, (A) the numerator of which is the value of that part of the decedent's gross estate over which this state has jurisdiction for estate tax purposes and (B) the denominator of which is the value of the decedent's gross estate. Property of a nonresident estate over which this state has jurisdiction for estate tax purposes includes real property situated in this state and tangible personal property having an actual situs in this state. The amount of any estate tax imposed under this subsection shall also be reduced, but not below zero, by the amount of any tax that is imposed under chapter 216 and that is actually paid to this state.

[(c) For purposes of subsections (a) and (b) of this section, "gross estate" means the gross estate, for federal estate tax purposes.**]**

(c) For purposes of this section:

(1) "Connecticut taxable estate" means (A) the gross estate less allowable deductions, as determined under Chapter 11 of the Internal Revenue Code, plus (B) Connecticut taxable gifts, as defined in section 12-643, as amended by this act, made by the decedent for all calendar years beginning on or after January 1, 2005. The deduction for state death taxes paid under Section 2058 of said code shall be disregarded.

(2) "Internal Revenue Code" means the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, except in the event of repeal of the federal estate tax, then all references to the Internal Revenue Code in this section shall mean the Internal Revenue Code as in force on the day prior to the effective date of such repeal.

(3) "Gross estate" means the gross estate, for federal estate tax purposes.

(d) (1) With respect to the estates of decedents who die on or after January 1, 2005, a tax is imposed upon the transfer of the estate of each person who at the time of death was a resident of this state. Such tax shall be imposed upon the portion of the Connecticut taxable estate that exceeds one million dollars in value. The amount of the tax shall be determined using the schedule in subsection (e) of this section. A credit shall be allowed against such tax for any taxes paid to this state pursuant to section 12-642, as amended by this act, on or after January 1, 2005.

(2) If real or tangible personal property of such decedent is located outside of this state and is subject to estate, inheritance, legacy or succession taxes by any state or states, other than the state of Connecticut, or by the District of Columbia, the amount of tax due under this section shall be reduced by the lesser of: (A) The amount of any taxes paid to such other state or states or said district; or (B) an amount computed by multiplying the federal credit, if any, allowable for estate, inheritance, legacy and succession taxes by a fraction, (i) the numerator of which is the value of that part of the decedent's gross estate over which such other state or states or said district have jurisdiction for estate tax purposes to the same extent to which this state would assert jurisdiction for estate tax purposes under chapter 217, with respect to the residents of such other state or states or said district, and (ii) the denominator of which is the value of the decedent's gross estate.

(3) Property of a resident estate over which this state has jurisdiction

for estate tax purposes includes real property situated in this state, tangible personal property having an actual situs in this state, and intangible personal property owned by the decedent, regardless of where it is located.

(e) (1) With respect to the estates of decedents who die on or after January 1, 2005, a tax is imposed upon the transfer of the portion of the Connecticut taxable estate that exceeds one million dollars in value of each person who at the time of death was a nonresident of this state. The amount of such tax shall be computed by multiplying (A) the amount of tax determined using the schedule in subsection (e) of this section by (B) a fraction, (i) the numerator of which is the value of that part of the decedent's gross estate over which this state has jurisdiction for estate tax purposes, and (ii) the denominator of which is the value of the decedent's gross estate. A credit shall be allowed against such tax for any taxes paid to this state pursuant to section 12-642, as amended by this act, on or after January 1, 2005.

(2) Property of a nonresident estate over which this state has jurisdiction for estate tax purposes includes real property situated in this state and tangible personal property having an actual situs in this state.

(f) (1) For purposes of the tax imposed under this section, the value of the Connecticut taxable estate shall be determined taking into account all of the deductions available under the Internal Revenue Code of 1986, specifically including, but not limited to, the deduction available under Section 2056(b)(7) of said code for a qualifying income interest for life in a surviving spouse.

(2) An election under said Section 2056(b)(7) may be made for state estate tax purposes regardless of whether any such election is made for federal estate tax purposes. The value of the gross estate shall include the value of any property in which the decedent had a qualifying income interest for life for which an election was made under this subsection.

(g) With respect to the estates of decedents dying on or after January 1, 2005, the tax based on the Connecticut taxable estate shall be as provided in the following schedule:

Amount of Connecticut Taxable Estate	Rate of Tax
Not over $1,000,000	None
Over $1,000,000 but not over $1,093,785	41% of the excess over $1,000,000
Over $1,093,785 but not over $1,100,000	$38,452 plus 5.6% of the excess over $1,093,785
Over $1,100,000 but not over $1,600,000	$38,800 plus 6.4% of the excess over $1,100,000
Over $1,600,000 but not over $2,100,000	$70,800 plus 7.2% of the excess over $1,600,000
Over $2,100,000 but not over $2,600,000	$106,800 plus 8% of the excess over $2,100,000
Over $2,600,000 but not over $3,100,000	$146,800 plus 8.8% of the excess over $2,600,000
Over $3,100,000 but not over $3,600,000	$190,800 plus 9.6% of the excess over $3,100,000
Over $3,600,000 but not over $4,100,000	$238,800 plus 10.4% of the excess over $3,600,000
Over $4,100,000 but not over $5,100,000	$290,800 plus 11.2% of the excess over $4,100,000
Over $5,100,000 but not over $6,100,000	$402,800 plus 12% of the excess over $5,100,000
Over $6,100,000 but not over $7,100,000	$522,800 plus 12.8% of the excess over $6,100,000
Over $7,100,000 but not over $8,100,000	$650,800 plus 13.6% of the excess over $7,100,000
Over $8,100,000 but not over $9,100,000	$786,800 plus 14.4% of the excess over $8,100,000
Over $9,100,000 but not over $10,100,000	$930,800 plus 15.2% of the excess over $9,100,000

Over $10,100,000	$1,082,800 plus 16% of the excess over $10,100,000

[(d)] (h) (1) For the purposes of this chapter, each decedent shall be presumed to have died a resident of this state. The burden of proof in an estate tax proceeding shall be upon any decedent's estate claiming exemption by reason of the decedent's alleged nonresidency.

(2) Any person required to make and file a tax return under this chapter, believing that the decedent died a nonresident of this state, may file a request for determination of domicile in writing with the Commissioner of Revenue Services, stating the specific grounds upon which the request is founded provided (A) such person has filed such return, (B) at least two hundred seventy days, but no more than three years, has elapsed since the due date of such return or, if an application for extension of time to file such return has been granted, the extended due date of such return, (C) such person has not been notified, in writing, by said commissioner that a written agreement of compromise with the taxing authorities of another jurisdiction, under section 12-395a, is being negotiated, and (D) the commissioner has not previously determined whether the decedent died a resident of this state. Not later than one hundred eighty days following receipt of such request for determination, the commissioner shall determine whether such decedent died a resident or a nonresident of this state. If the commissioner commences negotiations over a written agreement of compromise with the taxing authorities of another jurisdiction after a request for determination of domicile is filed, the one-hundred-eighty-day period shall be tolled for the duration of such negotiations. When, before the expiration of such one-hundred-eighty-day period, both the commissioner and the person required to make and file a tax return under this chapter have consented in writing to the making of such determination after such time, the determination may be made at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon. The commissioner shall mail notice of his proposed determination to the

person required to make and file a tax return under this chapter. Such notice shall set forth briefly the commissioner's findings of fact and the basis of such proposed determination. Sixty days after the date on which it is mailed, a notice of proposed determination shall constitute a final determination unless the person required to make and file a tax return under this chapter has filed, as provided in subdivision (3) of this subsection, a written protest with the Commissioner of Revenue Services.

(3) On or before the sixtieth day after mailing of the proposed determination, the person required to make and file a tax return under this chapter may file with the commissioner a written protest against the proposed determination in which such person shall set forth the grounds on which the protest is based. If such a protest is filed, the commissioner shall reconsider the proposed determination and, if the person required to make and file a tax return under this chapter has so requested, may grant or deny such person or the authorized representatives of such person an oral hearing.

(4) Notice of the commissioner's determination shall be mailed to the person required to make and file a tax return under this chapter and such notice shall set forth briefly the commissioner's findings of fact and the basis of decision in each case decided adversely to such person.

(5) The action of the commissioner on a written protest shall be final upon the expiration of one month from the date on which he mails notice of his action to the person required to make and file a tax return under this chapter unless within such period such person seeks review of the commissioner's determination pursuant to subsection (b) of section 12-395.

(6) Nothing in this subsection shall be construed to relieve any person filing a request for determination of domicile of the obligation to pay the correct amount of tax on or before the due date of the tax.

Sec. 8. Subdivision (3) of subsection (b) of section 12-392 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(3) A tax return shall be filed, in the case of every decedent who died prior to January 1, 2005, and at the time of death was (A) a resident of this state, or (B) a nonresident of this state whose gross estate includes any real property situated in this state or tangible personal property having an actual situs in this state, whenever the personal representative of the estate is required by the laws of the United States to file a federal estate tax return. A tax return shall be filed, in the case of every decedent who dies on or after January 1, 2005, and at the time of death was (i) a resident of this state, or (ii) a nonresident of this state whose gross estate includes any real property situated in this state or tangible personal property having an actual situs in this state, whenever such decedent's gross estate plus Connecticut taxable gifts, as defined in section 12-643, as amended by this act, exceeds one million dollars. The duly authorized executor or administrator shall file the return. If there is more than one executor or administrator, the return shall be made jointly by all. If there is no executor or administrator appointed, qualified and acting, each person in actual or constructive possession of any property of the decedent is constituted an executor for purposes of the tax and shall make and file a return. If in any case the executor is unable to make a complete return as to any part of the gross estate, the executor shall provide all the information available to him with respect to such property, including a full description, and the name of every person holding a legal or beneficial interest in the property. If the executor is unable to make a return as to any property, each person holding a legal or equitable interest in such property shall, upon notice from the commissioner, make a return as to that part of the gross estate.

Sec. 9. Subdivision (6) of subsection (a) of section 12-700 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2005*):

(6) For taxable years commencing on or after January 1, [2003] 2005, but prior to January 1, 2006, in accordance with the following schedule:

(A) For any person who files a return under the federal income tax for such taxable year as an unmarried individual or [as a married individual filing separately] for trusts or estates:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000	$300.00, plus 5.0% of the
but not over $265,500	excess over $10,000
Over $265,500	$13,075, plus 5.75% of the
but not over $398,500	excess over $265,500
Over $398,500	$20,722.50, plus 6.0% of the
but not over $531,500	excess over $398,500
Over $531,500	$28,702.50, plus 6.25% of the
but not over $1,062,500	excess over $531,500
Over $1,062,500	$61,858.75, plus 6.50% of the
	excess over $1,062,500

(B) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $16,000	3.0%
Over $16,000	$480.00, plus 5.0% of the
but not over $396,000	excess over $16,000
Over $396,000	$19,480, plus 5.75% of the
but not over $594,000	excess over $396,000
Over $594,000	$30,865, plus 6.0% of the
but not over $792,000	excess over $594,000
Over $792,000	$42,745, plus 6.25% of the
but not over $1,580,000	excess over $792,000
Over $1,580,000	$91,995, plus 6.50% of the

	excess over $1,580,000

(C) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or any person who files a return under the federal income tax for such taxable year as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $20,000	3.0%
Over $20,000	$600.00, plus 5.0% of the
but not over $500,000	excess over $20,000
Over $500,000	$24,600, plus 5.75% of the
but not over $750,000	excess over $500,000
Over $750,000	$38,975, plus 6.0% of the
but not over $1,000,000	excess over $750,000
Over $1,000,000	$53,975, plus 6.25% of the
but not over $2,000,000	excess over $1,000,000
Over $2,000,000	$116,475, plus 6.50% of the
	excess over $2,000,000

(D) **[**For trusts or estates, the rate of tax shall be 5.0% of the Connecticut taxable income.**]** For any person who files a return under the federal income tax for such taxable year as a married individual filing separately:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000	$300.00, plus 5.0% of the
but not over $250,000	excess over $10,000
Over $250,000	$12,300, plus 5.75% of the
but not over $375,000	excess over $250,000
Over $375,000	$19,487.50, plus 6.0% of the
but not over $500,000	excess over $375,000
Over $500,000	$26,987.50, plus 6.25% of the

but not over $1,000,000	excess over $500,000
Over $1,000,000	$58,237.50, plus 6.50% of the
	excess over $1,000,000

(7) For taxable years commencing on or after January 1, 2006, in accordance with the following schedule:

(A) For any person who files a return under the federal income tax for such taxable year as an unmarried individual or for trusts and estates:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000	$300.00, plus 5.0% of the
but not over $265,500	excess over $10,000
Over $265,500	$13,075, plus 6.0% of the
but not over $398,500	excess over $265,500
Over $398,500	$21,055.50, plus 6.25% of the
but not over $531,500	excess over $398,500
Over $531,500	$29,367.50, plus 6.50% of the
but not over $1,062,500	excess over $531,500
Over $1,062,500	$63,850, plus 6.75% of the
	excess over $1,062,500

(B) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $16,000	3.0%
Over $16,000	$480.00, plus 5.0% of the
but not over $396,000	excess over $16,000
Over $396,000	$19,480, plus 6.0% of the
but not over $594,000	excess over $396,000
Over $594,000	$31,360, plus 6.25% of the
but not over $792,000	excess over $594,000
Over $792,000	$43,735, plus 6.50% of the
but not over $1,580,000	excess over $792,000
Over $1,580,000	$94,955, plus 6.75% of the
	excess over $1,580,000

(C) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or any person who files a return under the federal income tax for such taxable year as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $20,000	3.0%
Over $20,000	$600.00, plus 5.0% of the
but not over $500,000	excess over $20,000
Over $500,000	$24,600, plus 6.0% of the
but not over $750,000	excess over $500,000
Over $750,000	$39,600, plus 6.25% of the
but not over $1,000,000	excess over $750,000
Over $1,000,000	$55,225, plus 6.50% of the
but not over $2,000,000	excess over $1,000,000
Over $2,000,000	$120,225, plus 6.75% of the
	excess over $2,000,000

(D) For any person who files a return under the federal income tax for such taxable year as a married individual filing separately:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000	$300.00, plus 5.0% of the
but not over $250,000	excess over $10,000
Over $250,000	$12,300, plus 6.0% of the
but not over $375,000	excess over $250,000
Over $375,000	$19,800, plus 6.25% of the
but not over $500,000	excess over $375,000
Over $500,000	$27,612.50, plus 6.50% of the
but not over $1,000,000	excess over $500,000
Over $1,000,000	$60,112.50, plus 6.75% of the
	excess over $1,000,000

Sec. 10. (*Effective from passage*) The Commissioner of Revenue Services shall adjust the withholding tables issued for purposes of administering the personal income tax imposed under chapter 229 of the general statutes to take account of any changes in such tax made by

this act and, on or before June 1, 2005, shall issue new withholding tables applicable to taxable years commencing on or after January 1, 2005, provided the tables applicable to the period from March 1, 2005, to June 30, 2005, shall provide for the collection of a tax computed in such manner as to result, so far as practicable, in withholding from the employee's wages during such period an amount substantially equivalent to the tax reasonably estimated to be due from the employee under said chapter 229 with respect to the amount of such wages during a six-month period and further provided the tables applicable to any period after June 30, 2005, shall be prepared as provided in section 12-705 of the general statutes.

Sec. 11. (*Effective from passage*) Notwithstanding the provisions of section 12-722 of the general statutes, any taxpayer required to make an estimated payment in June, 2005, for the tax due under chapter 229 of the general statutes shall make such payment in an amount which is adjusted for any change in the rate applicable to the current taxable year, as provided in section 12-700 of the general statutes, as amended by this act.

Sec. 12. (*Effective from passage*) Notwithstanding the provisions of section 12-722 of the general statutes, the Commissioner of Revenue Services may forgive any imposition of interest or penalties on an underpayment of any estimated tax due during the taxable year commencing on January 1, 2005, provided such underpayment is due to the changes in tax rates made by this act. Such forgiveness of interest or penalties shall not exempt any taxpayer from full payment of all taxes due for the taxable year commencing on January 1, 2005.

Sec. 13. Subparagraph (B) of subdivision (20) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable for taxable years commencing on or after January 1, 2008*):

(B) There shall be subtracted therefrom (i) to the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law, (ii) to the extent allowable under section 12-718, exempt dividends paid by a regulated investment company, (iii) the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia, to the extent properly includable in gross income for federal income tax purposes, (iv) to the extent properly includable in gross income for federal income tax purposes and not otherwise subtracted from federal adjusted gross income pursuant to clause (x) of this subparagraph in computing Connecticut adjusted gross income, any tier 1 railroad retirement benefits, (v) to the extent any additional allowance for depreciation under Section 168(k) of the Internal Revenue Code, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002, for property placed in service after December 31, 2001, but prior to September 10, 2004, was added to federal adjusted gross income pursuant to subparagraph (A)(ix) of this subdivision in computing Connecticut adjusted gross income for a taxable year ending after December 31, 2001, twenty-five per cent of such additional allowance for depreciation in each of the four succeeding taxable years, (vi) to the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, (vii) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized, (viii) any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such interest on indebtedness is not deductible in determining federal adjusted gross income and is attributable to a trade or business carried on by such individual, (ix) ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income which is subject to taxation under this chapter but exempt from federal income tax, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such expenses and premiums are not deductible in determining federal adjusted gross income and are attributable to a trade or business carried on by such individual, (x) (I) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than sixty thousand dollars or a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is less than sixty thousand dollars, an amount equal to the Social Security benefits includable for federal income tax purposes; and (II) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is sixty thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is sixty thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social

Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue Code, (xi) to the extent properly includable in gross income for federal income tax purposes, any amount rebated to a taxpayer pursuant to section 12-746, (xii) to the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiii) to the extent properly includable in gross income for federal income tax purposes, the amount of any Holocaust victims' settlement payment received in the taxable year by a Holocaust victim, **[**and**]** (xiv) to the extent properly includable in gross income for federal income tax purposes of an account holder, as defined in section 31-51ww, interest earned on funds deposited in the individual development account, as defined in section 31-51ww, of such account holder, and (xv) to the extent properly included in gross income for federal income tax purposes, fifty per cent of the income received from the United States government as retirement pay for a retired member of (I) the Armed Forces of the United States, as defined in Section 101 of Title 10 of the United States Code, or (II) the National Guard, as defined in Section 101 of Title 10 of the United States Code.

Sec. 14. Subdivision (24) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable for taxable years commencing on or after January 1, 2008*):

(24) "Adjusted federal tentative minimum tax" of an individual means such individual's federal tentative minimum tax or, in the case of an individual whose Connecticut adjusted gross income includes modifications described in subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section or subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), (B)(x), **[**or**]** (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of this section, as amended by this act, the amount that would have been

the federal tentative minimum tax if such tax were calculated by including, to the extent not includable in federal alternative minimum taxable income, the modifications described in subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section, by excluding, to the extent includable in federal alternative minimum taxable income, the modifications described in subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of this section, as amended by this act, and by excluding, to the extent includable in federal alternative minimum taxable income, the amount of any interest income or exempt-interest dividends, as defined in Section 852(b)(5) of the Internal Revenue Code, from obligations that are issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district, or similar public entity that is created under the laws of the state of Connecticut, or from obligations that are issued by or on behalf of any territory or possession of the United States, any political subdivision of such territory or possession, or public instrumentality, authority, district or similar public entity of such territory or possession, the income with respect to which taxation by any state is prohibited by federal law. If such individual is a beneficiary of a trust or estate, then, in calculating his or her federal tentative minimum tax, his or her federal alternative taxable income shall be increased or decreased, as the case may be, by the net amount of such individual's proportionate share of the Connecticut fiduciary adjustment relating to modifications that are described in, to the extent not includable in federal alternative minimum taxable income, subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section, or, to the extent includable in federal alternative minimum taxable income, subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of this section, as amended by this act.

Sec. 15. Subdivision (30) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable for taxable years commencing on or after January 1, 2008*):

(30) "Adjusted federal alternative minimum taxable income" of an individual means his or her federal alternative minimum taxable income or, in the case of an individual whose Connecticut adjusted gross income includes modifications described in subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section or subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), (B)(x), **[**or**]** (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of this section, as amended by this act, the amount that would have been the federal alternative minimum taxable income if such amount were calculated by including, to the extent not includable in federal alternative minimum taxable income, the modifications described in subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section, by excluding, to the extent includable in federal alternative minimum taxable income, the modifications described in subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), (B)(x), **[**or**]** (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of this section, as amended by this act, and by excluding, to the extent includable in federal alternative minimum taxable income, the amount of any interest income or exempt-interest dividends, as defined in Section 852(b)(5) of the Internal Revenue Code, from obligations that are issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district, or similar public entity that is created under the laws of the state of Connecticut, or from obligations that are issued by or on behalf of any territory or possession of the United States, any political subdivision of such territory or possession, or public instrumentality, authority, district or similar public entity of such territory or possession, the income with respect to which taxation by any state is prohibited by federal law. If such individual is a beneficiary of a trust or estate, then, for purposes of calculating his or her adjusted federal alternative minimum taxable income, his or her federal alternative minimum taxable income shall also be increased or decreased, as the

case may be, by the net amount of such individual's proportionate share of the Connecticut fiduciary adjustment relating to modifications to the extent not includable in federal alternative minimum taxable income, that are described in subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section or to the extent includable in federal alternative minimum taxable income, subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), (B)(x), **[**or**]** (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of this section, as amended by this act.

Sec. 16. Subsection (a) of section 12-702 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2005*):

(a) (1) (A) Any person, other than a trust or estate, subject to the tax under this chapter for any taxable year who files under the federal income tax for such taxable year as a married individual filing separately or, for taxable years commencing prior to January 1, 2000, who files income tax for such taxable year as an unmarried individual shall be entitled to a personal exemption of twelve thousand dollars in determining Connecticut taxable income for purposes of this chapter.

(B) In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-four thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption.

(2) For taxable years commencing on or after January 1, 2000, any person, other than a trust or estate, subject to the tax under this chapter for any taxable year who files under the federal income tax for such taxable year as an unmarried individual shall be entitled to a personal exemption in determining Connecticut taxable income for purposes of this chapter as follows:

(A) For taxable years commencing on or after January 1, 2000, but prior to January 1, 2001, twelve thousand two hundred fifty dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-four thousand five hundred dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(B) For taxable years commencing on or after January 1, 2001, but prior to January 1, 2004, twelve thousand five hundred dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-five thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(C) For taxable years commencing on or after January 1, 2004, but prior to January 1, **[**2005**]** 2007, twelve thousand six hundred twenty-five dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-five thousand two hundred fifty dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(D) For taxable years commencing on or after January 1, **[**2005**]** 2007, but prior to January 1, **[**2006**]** 2008, twelve thousand seven hundred fifty dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-five thousand five hundred dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(E) For taxable years commencing on or after January 1, **[**2006**]** 2008, but prior to January 1, **[**2007**]** 2009, thirteen thousand dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-six thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(F) For taxable years commencing on or after January 1, **[**2007**]** 2009, but prior to January 1, **[**2008**]** 2010, thirteen thousand five hundred dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-seven thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(G) For taxable years commencing on or after January 1, **[**2008**]** 2010, but prior to January 1, **[**2009**]** 2011, fourteen thousand dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-eight thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(H) For taxable years commencing on or after January 1, **[**2009**]** 2011, but prior to January 1, **[**2010**]** 2012, fourteen thousand five hundred dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-nine thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(I) For taxable years commencing on or after January 1, **[**2010**]** 2012, fifteen thousand dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds thirty thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption.

Sec. 17. Subparagraphs (C) to (I), inclusive, of subdivision (2) of subsection (a) of section 12-703 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2005*):

(C) For taxable years commencing on or after January 1, 2004, but prior to January 1, **[**2005**]** 2007:

Connecticut Adjusted Gross Income	Amount of Credit
Over $12,625 but not over $15,750	75%
Over $15,750 but not over $16,250	70%
Over $16,250 but not over $16,750	65%
Over $16,750 but not over $17,250	60%
Over $17,250 but not over $17,750	55%

Over $17,750 but not over $18,250	50%
Over $18,250 but not over $18,750	45%
Over $18,750 but not over $19,250	40%
Over $19,250 but not over $21,050	35%
Over $21,050 but not over $21,550	30%
Over $21,550 but not over $22,050	25%
Over $22,050 but not over $22,550	20%
Over $22,550 but not over $26,300	15%
Over $26,300 but not over $26,800	14%
Over $26,800 but not over $27,300	13%
Over $27,300 but not over $27,800	12%
Over $27,800 but not over $28,300	11%
Over $28,300 but not over $50,500	10%
Over $50,500 but not over $51,000	9%
Over $51,000 but not over $51,500	8%
Over $51,500 but not over $52,000	7%
Over $52,000 but not over $52,500	6%
Over $52,500 but	

not over $53,000	5%
Over $53,000 but not over $53,500	4%
Over $53,500 but not over $54,000	3%
Over $54,000 but not over $54,500	2%
Over $54,500 but not over $55,000	1%

(D) For taxable years commencing on or after January 1, [2005] 2007, but prior to January 1, [2006] 2008:

Connecticut Adjusted Gross Income	Amount of Credit
Over $12,750 but not over $15,900	75%
Over $15,900 but not over $16,400	70%
Over $16,400 but not over $16,900	65%
Over $16,900 but not over $17,400	60%
Over $17,400 but not over $17,900	55%
Over $17,900 but not over $18,400	50%
Over $18,400 but not over $18,900	45%
Over $18,900 but not over $19,400	40%
Over $19,400 but not over $21,300	35%
Over $21,300 but not over $21,800	30%

Over $21,800 but not over $22,300	25%
Over $22,300 but not over $22,800	20%
Over $22,800 but not over $26,600	15%
Over $26,600 but not over $27,100	14%
Over $27,100 but not over $27,600	13%
Over $27,600 but not over $28,100	12%
Over $28,100 but not over $28,600	11%
Over $28,600 but not over $51,000	10%
Over $51,000 but not over $51,500	9%
Over $51,500 but not over $52,000	8%
Over $52,000 but not over $52,500	7%
Over $52,500 but not over $53,000	6%
Over $53,000 but not over $53,500	5%
Over $53,500 but not over $54,000	4%
Over $54,000 but not over $54,500	3%
Over $54,500 but not over $55,000	2%
Over $55,000 but not over $55,500	1%

(E) For taxable years commencing on or after January 1, **[**2006**]** 2008, but prior to January 1, **[**2007**]** 2009:

Connecticut Adjusted Gross Income	Amount of Credit
Over $13,000 but not over $16,300	75%
Over $16,300 but not over $16,800	70%
Over $16,800 but not over $17,300	65%
Over $17,300 but not over $17,800	60%
Over $17,800 but not over $18,300	55%
Over $18,300 but not over $18,800	50%
Over $18,800 but not over $19,300	45%
Over $19,300 but not over $19,800	40%
Over $19,800 but not over $21,700	35%
Over $21,700 but not over $22,200	30%
Over $22,200 but not over $22,700	25%
Over $22,700 but not over $23,200	20%
Over $23,200 but not over $27,100	15%
Over $27,100 but not over $27,600	14%
Over $27,600 but not over $28,100	13%

Over $28,100 but not over $28,600	12%
Over $28,600 but not over $29,100	11%
Over $29,100 but not over $52,000	10%
Over $52,000 but not over $52,500	9%
Over $52,500 but not over $53,000	8%
Over $53,000 but not over $53,500	7%
Over $53,500 but not over $54,000	6%
Over $54,000 but not over $54,500	5%
Over $54,500 but not over $55,000	4%
Over $55,000 but not over $55,500	3%
Over $55,500 but not over $56,000	2%
Over $56,000 but not over $56,500	1%

(F) For taxable years commencing on or after January 1, **[**2007**]** 2009, but prior to January 1, **[**2008**]** 2010:

Connecticut Adjusted Gross Income	Amount Of Credit
Over $13,500 but not over $16,900	75%
Over $16,900 but not over $17,400	70%
Over $17,400 but	

not over $17,900	65%
Over $17,900 but not over $18,400	60%
Over $18,400 but not over $18,900	55%
Over $18,900 but not over $19,400	50%
Over $19,400 but not over $19,900	45%
Over $19,900 but not over $20,400	40%
Over $20,400 but not over $22,500	35%
Over $22,500 but not over $23,000	30%
Over $23,000 but not over $23,500	25%
Over $23,500 but not over $24,000	20%
Over $24,000 but not over $28,100	15%
Over $28,100 but not over $28,600	14%
Over $28,600 but not over $29,100	13%
Over $29,100 but not over $29,600	12%
Over $29,600 but not over $30,100	11%
Over $30,100 but not over $54,000	10%
Over $54,000 but not over $54,500	9%
Over $54,500 but not over $55,000	8%

Over $55,000 but not over $55,500	7%
Over $55,500 but not over $56,000	6%
Over $56,000 but not over $56,500	5%
Over $56,500 but not over $57,000	4%
Over $57,000 but not over $57,500	3%
Over $57,500 but not over $58,000	2%
Over $58,000 but not over $58,500	1%

(G) For taxable years commencing on or after January 1, [2008] 2010, but prior to January 1, [2009] 2011:

Connecticut Adjusted Gross Income	Amount of Credit
Over $14,000 but not over $17,500	75%
Over $17,500 but not over $18,000	70%
Over $18,000 but not over $18,500	65%
Over $18,500 but not over $19,000	60%
Over $19,000 but not over $19,500	55%
Over $19,500 but not over $20,000	50%
Over $20,000 but not over $20,500	45%

Over $20,500 but	
not over $21,000	40%
Over $21,000 but	
not over $23,300	35%
Over $23,300 but	
not over $23,800	30%
Over $23,800 but	
not over $24,300	25%
Over $24,300 but	
not over $24,800	20%
Over $24,800 but	
not over $29,200	15%
Over $29,200 but	
not over $29,700	14%
Over $29,700 but	
not over $30,200	13%
Over $30,200 but	
not over $30,700	12%
Over $30,700 but	
not over $31,200	11%
Over $31,200 but	
not over $56,000	10%
Over $56,000 but	
not over $56,500	9%
Over $56,500 but	
not over $57,000	8%
Over $57,000 but	
not over $57,500	7%
Over $57,500 but	
not over $58,000	6%
Over $58,000 but	
not over $58,500	5%
Over $58,500 but	
not over $59,000	4%
Over $59,000 but	

not over $59,500	3%
Over $59,500 but	
not over $60,000	2%
Over $60,000 but	
not over $60,500	1%

(H) For taxable years commencing on or after January 1, [2009] 2011, but prior to January 1, [2010] 2012:

Connecticut Adjusted Gross Income	Amount of Credit
Over $14,500 but	
not over $18,100	75%
Over $18,100 but	
not over $18,600	70%
Over $18,600 but	
not over $19,100	65%
Over $19,100 but	
not over $19,600	60%
Over $19,600 but	
not over $20,100	55%
Over $20,100 but	
not over $20,600	50%
Over $20,600 but	
not over $21,100	45%
Over $21,100 but	
not over $21,600	40%
Over $21,600 but	
not over $24,200	35%
Over $24,200 but	
not over $24,700	30%
Over $24,700 but	
not over $25,200	25%
Over $25,200 but	
not over $25,700	20%

Over $25,700 but not over $30,200	15%
Over $30,200 but not over $30,700	14%
Over $30,700 but not over $31,200	13%
Over $31,200 but not over $31,700	12%
Over $31,700 but not over $32,200	11%
Over $32,200 but not over $58,000	10%
Over $58,000 but not over $58,500	9%
Over $58,500 but not over $59,000	8%
Over $59,000 but not over $59,500	7%
Over $59,500 but not over $60,000	6%
Over $60,000 but not over $60,500	5%
Over $60,500 but not over $61,000	4%
Over $61,000 but not over $61,500	3%
Over $61,500 but not over $62,000	2%
Over $62,000 but not over $62,500	1%

(I) For taxable years commencing on or after January 1, **[**2010**]** <u>2012</u>:

Connecticut Adjusted Gross Income	Amount of Credit

Over $15,000 but not over $18,800	75%
Over $18,800 but not over $19,300	70%
Over $19,300 but not over $19,800	65%
Over $19,800 but not over $20,300	60%
Over $20,300 but not over $20,800	55%
Over $20,800 but not over $21,300	50%
Over $21,300 but not over $21,800	45%
Over $21,800 but not over $22,300	40%
Over $22,300 but not over $25,000	35%
Over $25,000 but not over $25,500	30%
Over $25,500 but not over $26,000	25%
Over $26,000 but not over $26,500	20%
Over $26,500 but not over $31,300	15%
Over $31,300 but not over $31,800	14%
Over $31,800 but not over $32,300	13%
Over $32,300 but not over $32,800	12%
Over $32,800 but not over $33,300	11%
Over $33,300 but	

not over $60,000	10%
Over $60,000 but	
not over $60,500	9%
Over $60,500 but	
not over $61,000	8%
Over $61,000 but	
not over $61,500	7%
Over $61,500 but	
not over $62,000	6%
Over $62,000 but	
not over $62,500	5%
Over $62,500 but	
not over $63,000	4%
Over $63,000 but	
not over $63,500	3%
Over $63,500 but	
not over $64,000	2%
Over $64,000 but	
not over $64,500	1%

Sec. 18. Subsection (c) of section 12-704c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2005*):

(c) (1) (A) For taxable years commencing prior to January 1, 2000, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-two thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(B) For taxable years commencing on or after January 1, 2000, but prior to January 1, 2001, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-three thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(C) For taxable years commencing on or after January 1, 2001, but prior to January 1, 2004, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-four thousand five hundred dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(D) For taxable years commencing on or after January 1, 2004, but prior to January 1, **[**2005**]** <u>2007</u>, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-five thousand dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(E) For taxable years commencing on or after January 1, **[**2005**]** <u>2007</u>, but prior to January 1, **[**2006**]** <u>2008</u>, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-five thousand five hundred dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(F) For taxable years commencing on or after January 1, **[**2006**]** <u>2008</u>, but prior to January 1, **[**2007**]** <u>2009</u>, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-six thousand five hundred dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(G) For taxable years commencing on or after January 1, [2007] 2009, but prior to January 1, [2008] 2010, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-eight thousand five hundred dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(H) For taxable years commencing on or after January 1, [2008] 2010, but prior to January 1, [2009] 2011, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds sixty thousand five hundred dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(I) For taxable years commencing on or after January 1, [2009] 2011, but prior to January 1, [2010] 2012, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds sixty-two thousand five hundred dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(J) For taxable years commencing on or after January 1, [2010] 2012, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds sixty-four thousand five hundred dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(2) In the case of any such taxpayer who files under the federal income tax for such taxable year as a married individual filing separately whose Connecticut adjusted gross income exceeds fifty thousand two hundred fifty dollars, the amount of the credit shall be reduced by ten per cent for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(3) In the case of a taxpayer who files under the federal income tax for such taxable year as a head of household whose Connecticut adjusted gross income exceeds seventy-eight thousand five hundred dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(4) In the case of a taxpayer who files under federal income tax for such taxable year as married individuals filing jointly whose Connecticut adjusted gross income exceeds one hundred thousand five hundred dollars, the amount of the credit shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

Sec. 19. Section 12-217z of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2005*):

(a) There is established a **[**Corporation**]** Business Tax Credit Review Committee which shall be comprised of <u>the following members</u>: (1) The chairpersons and ranking members of the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding, or their designees; **[**(2) one member appointed by each of the following: The Governor, the president pro tempore of the Senate, the speaker of the House of Representatives, the majority leader of the Senate, the majority leader of the House of Representatives, the minority leader of the House of Representatives and the minority leader of the Senate;**]** (2) (A) a representative from the business community appointed by the president pro tempore of the Senate, (B) a representative from a municipal organization appointed by the speaker of the House of Representatives, (C) a representative from a labor organization appointed by the majority leader of the Senate, (D) an attorney specializing in taxation appointed by the majority leader of the House of Representatives, (E) an accountant specializing in taxation appointed by the minority leader of the Senate, and (F) an economist appointed by the minority leader of the House of Representatives; and (3) the Commissioners of Revenue Services and Economic and Community Development, or their designees.

(b) The chairpersons of the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding shall be the chairpersons of the Business Tax Credit Review Committee. The Business Tax Credit Review Committee shall meet not less than twice a year, and at such other times as the chairpersons deem necessary.

[(b)**]** (c) The committee shall study and evaluate all the existing credits against the corporation business tax. The study shall include, but is not limited to, consideration of the following with respect to each credit: (1) Has the credit provided a benefit to the state in terms of measurable economic development, new investments in the state, new jobs or retention of existing jobs, or measurable benefits for the workforce in the state; (2) is there sufficient justification to continue the credit as it currently exists or is it obsolete; (3) could the credit be more efficiently administered as part of a broad-based credit; and (4) does the credit add unnecessary complexity in the application, administration and approval process for the credit. The committee shall also engage in an analysis of the history, rationale and estimated revenue loss as a result of each tax credit and shall recommend revisions necessary to change the tax by eliminating or changing any redundant, obsolete or unnecessary tax credit or any credit that is not providing a measurable benefit sufficient to justify any revenue loss to the state.

(d) The committee shall study and evaluate the potential impact of (1) unitary filing systems, and (2) multifactor apportionment formulas. The committee shall review the experience of other states in the use of unitary filing and multifactor apportionment, and gather information on the benefits and disadvantages of such systems, including their reported impact on the growth of business, industry, employment and related sectors in the economy of such other states. A report of the committee's findings, with recommendations, if any, for further action, shall be reported in accordance with subsection (c) of this section.

[(c)] (e) The [committee] Business Tax Credit Review Committee shall report [its] the findings and recommendations required pursuant to this section to the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding no later than [January 30, 2002, and every five years] February 15, 2006, and annually thereafter, in accordance with section 11-4a.

Sec. 20. (*Effective from passage*) Notwithstanding any provision of the general statutes, for the fiscal year ending June 30, 2007, the sum of twenty million dollars shall be transferred from the resources of the State Banking Fund established in section 36a-65 of the general statutes, and credited to the resources of the General Fund.

Sec. 21. (*Effective from passage*) Notwithstanding any provision of the general statutes, for the fiscal year ending June 30, 2007, the sum of five million dollars shall be transferred from the resources of the Insurance Fund established in section 38a-52a of the general statutes, and credited to the resources of the General Fund.

Sec. 22. (*Effective from passage*) Prior to June 30, 2006, the Comptroller shall transfer forty-six million eight hundred thousand dollars of fiscal year 2006 General Fund revenue for use as General Fund revenue for fiscal year 2007.

Sec. 23. Section 12-396 of the general statutes is repealed. (*Effective from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage*	3-62h(e)
Sec. 2	*from passage and applicable to income years commencing on or after January 1, 2005*	12-214(b)
Sec. 3	*from passage and applicable to income years commencing on or after January 1, 2005*	12-219(b)
Sec. 4	*from passage and applicable to calendar years commencing on or after January 1, 2005*	12-344(d) and (e)
Sec. 5	*from passage and applicable to calendar years commencing on or after January 1, 2005*	12-642(a)
Sec. 6	*from passage and applicable to calendar years commencing on or after January 1, 2005*	12-643
Sec. 7	*from passage and applicable to estates of decedents who die on or after January 1, 2005*	12-391
Sec. 8	*from passage*	12-392(b)(3)
Sec. 9	*from passage and applicable to taxable years commencing on or after January 1, 2005*	12-700(a)(6)
Sec. 10	*from passage*	New section
Sec. 11	*from passage*	New section
Sec. 12	*from passage*	New section

Sec. 13	*from passage and applicable for taxable years commencing on or after January 1, 2008*	12-701(a)(20)(B)
Sec. 14	*from passage and applicable for taxable years commencing on or after January 1, 2008*	12-701(a)(24)
Sec. 15	*from passage and applicable for taxable years commencing on or after January 1, 2008*	12-701(a)(30)
Sec. 16	*from passage and applicable to taxable years commencing on or after January 1, 2005*	12-702(a)
Sec. 17	*from passage and applicable to taxable years commencing on or after January 1, 2005*	12-703(a)(2)(C) to (I)
Sec. 18	*from passage and applicable to taxable years commencing on or after January 1, 2005*	12-704c(c)
Sec. 19	*July 1, 2005*	12-217z
Sec. 20	*from passage*	New section
Sec. 21	*from passage*	New section
Sec. 22	*from passage*	New section
Sec. 23	*from passage*	Repealer section

FIN *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note and OLR Bill Analysis

sSB-1321
AN ACT CONCERNING VARIOUS TAXES AND OTHER PROVISIONS RELATED TO REVENUES OF THE STATE.

State Impact:

Agency Affected	Fund-Effect	FY 06 $	FY 07 $
Department of Revenue Services	GF – Net Revenue Gain	551.5 million	662.7 million
Banking Dept.	BF - Revenue Loss	None	20.0 million
Insurance Dept.	IF - Revenue Loss	None	5.0 million

Note: GF=General Fund; BF=Banking Fund; IF=Insurance Fund

Municipal Impact: None

OFA Fiscal Impact:

The bill is anticipated to result in a net (gains less losses) General Fund revenue gain of $551.5 million in FY 06 and $662.7 million in FY 07.

The bill will result in a one-time revenue loss of $20.0 million to the Banking Fund in FY 07.

The bill will result in a one-time revenue loss of $5.0 million to the Insurance Fund in FY 07.

OLR Summary:

This bill increases the income tax by adding four tax brackets affecting those with taxable incomes over $500,000 for joint filers, $265,000 for single filers, $396,000 for heads of household, and $250,000 for married people filing separately. It increases the tax rates on these higher-income brackets. The new rates range from 5.75% to 6.5% for

2005 and 6.0% to 6.75% for 2006 and subsequent tax years (§§ 9-12). The current rate for these income levels is a flat 5.0%.

The bill eliminates the succession tax and the tax on gifts under $1 million as of January 1, 2005 instead of over several more years as required by current law. It replaces these taxes with a uniform tax on transfers of Connecticut taxable gifts and estates that exceed a combined lifetime total of $1 million (§§ 4-8 & 23).

The bill imposes corporation tax surcharges for the 2005 through 2007 income years. The surcharges are 10% for 2005 and 15% for 2006 and 2007. The surcharge for 2004 was 25% (§§ 2 & 3).

The bill also:

1. delays scheduled income tax reductions for single filers for an additional two years (§§ 16-18);
2. exempts 50% of federally taxable military retirement income from the state income tax starting in 2008 (§§ 13-15);
3. extends the deadline for the state to issue up to $60 million in abandoned property revenue bonds for two years, until June 30, 2007 (§ 1);
4. transfers various sums from the Banking and Insurance Funds and from FY 06 General Fund revenue to the General Fund for FY 07 (§§ 20-22); and
5. revamps the existing corporation tax credit review committee and its membership and requires it to study USE OF unitary filing systems and multifactor apportionment formulas for the corporation tax (§19).

A section-by-section analysis and fiscal impact appear below.

EFFECTIVE DATE: Various, see below.

§ 1 – Abandoned Property Bonds

OFA Fiscal Impact:

Presently, it is assumed that the amount of bonds that will be issued will yield the General Fund $40 million in revenue in FY 07.

OLR Analysis:

The bill extends by two years the deadline for the State Bond Commission to issue up to $60 million in special obligation abandoned property fund bonds. Under current law, the bond commission must authorize the bonds by June 30, 2005. The bill gives it until June 30, 2007.

Bonds are backed by revenue from disposal of abandoned property the state takes. By law, bond proceeds must go into the General Fund to support state programs. The maximum bond term is seven years.

EFFECTIVE DATE: Upon passage

§§ 2 & 3 – Corporation Tax Surcharges

OFA Fiscal Impact:

The bill is anticipated to result in a General Fund gain of $62.0 million in FY 06, $47.0 million in FY 07, and $16 million in FY 08.

OLR Analysis:

For the 2005, 2006, and 2007 income years, the bill imposes corporation tax surcharges of 10%, 15%, and 15%, respectively. The surcharges apply to all companies that pay the tax based on net income, even if they owe only the $250 minimum tax. But the bill applies the surcharges to companies that pay the alternative tax on their capital base (see BACKGROUND) only if their tax liability is greater than the $250 minimum tax.

Under the bill, a corporation must calculate its surcharge based on its tax liability before any tax credits. The surcharge is due, payable, and collectible as part of the company's total tax for the year.

EFFECTIVE DATE: Upon passage and applicable to income years starting on or after January 1, 2005.

§§ 4-8 & 22 – Succession, Estate, and Gift Taxes

OFA Fiscal Impact:

The bill is anticipated to result in a net General Fund revenue gain (gain from the unified estate and gift tax off-set by losses resulting from the repeal of the succession and gift taxes) of $66.8 million in FY 06 and $138.9 million in FY 07.

OLR Analysis:

Transfer Tax

The bill eliminates the succession tax and the tax on gifts under $1 million immediately instead of over several more years as required by current law. It eliminates the succession tax starting with deaths in 2005 instead of in 2006 for Class B heirs (collateral relatives such as siblings, nieces, and nephews) and 2008 for Class C heirs (more remote relatives and unrelated people). It eliminates the gift tax on January 1, 2005 instead of January 1, 2010.

The bill replaces these taxes with a uniform tax on transfers of Connecticut taxable gifts and estates that exceed a combined lifetime total of $1 million. The estate tax currently equals 100% of the maximum federal credit for state inheritance taxes paid. But a 2001 federal law phased out the federal credits, effectively eliminating Connecticut's estate tax on January 1, 2005 ("The Economic Growth and Tax Relief Recovery Act of 2001," P.L. 107-134).

Applicability

The bill's transfer tax applies to:

1. estates of people who die on or after January 1, 2005 if (a) the estate's taxable value exceeds $1 million and (b) the person was either a Connecticut resident when he died or owned Connecticut real or personal property;

2. federally taxable gifts (currently, gifts over $11,000 per year, per recipient) made on or after January 1, 2005 that, in the aggregate, exceed $1 million; and

3. a person's estate, if the combined value of all his federally taxable gifts during life (after January 1, 2005) and his taxable estate exceeds $1 million.

Under the bill, a taxable estate is (1) a person's gross estate minus all federally allowable deductions except the one for state death taxes paid, plus (2) (a) for a state resident, the aggregate value of all federally taxable gifts and (b) for a nonresident, the total value of such gifts of real or personal property located in Connecticut that the decedent made during his life starting, on January 1, 2005. The bill allows a person to take advantage of the optional deduction for the value of a qualifying life income interest in property passing to a surviving spouse for state tax purposes, even if he does not do so for the federal estate tax.

Tax Rates

Table 1 shows the tax rates on taxable gifts made and taxable estates of those who die after January 1, 2005. The percentage rate on each line applies only to amounts in that rate bracket, not to the entire transfer amount. Thus, for example, on a $1,100,000 estate, the tax would be 41% of $93,785 ($38,452) plus 5.6% of $6,215 ($348), or $38,800 in total.

Table 1: Tax Rates on Taxable Gifts and Estates

TAX RATE	TAXABLE TRANSFER	
	Over	*But Not Over*
No Tax	$ 0	$1,000,000

41.0%	1,000,000	1,093,785
5.6%	1,093,785	1,100,000
6.4%	1,100,000	1,600,000
7.2%	1,600,000	2,100,000
8.0%	2,100,000	2,600,000
8.8%	2,600,000	3,100,000
9.6%	3,100,000	3,600,000
10.4%	3,600,000	4,100,000
11.2%	4,100,000	5,100,000
12.0%	5,100,000	6,100,000
12.8%	6,100,000	7,100,000
13.6%	7,100,000	8,100,000
14.4%	8,100,000	9,100,000
15.2%	9,100,000	10,100,000
16.0%	10,100,000	

The bill credits any gift taxes paid on gifts made on or after January 1, 2005 against total estate and gift tax liability.

Credits for Payments to Other States

Both current law and the bill allow a credit against Connecticut's estate tax for similar inheritance taxes paid to any other state or the District of Columbia on property under the other states' jurisdiction. Under both, the credit is the lesser of (1) the actual taxes paid in the other states or (2) the federal death tax credit multiplied by the percentage of the gross estate that is under the jurisdiction of other states. But because, as already described, the federal credit for state death taxes was entirely phased out on January 1, 2005 and is now zero, incorporating a zero federal credit into the calculation results in zero credit for taxes paid to other states. Thus, this bill, in effect, eliminates Connecticut's estate tax credit for inheritance taxes paid to other states or the District of Columbia.

Resident and Nonresident Estates

The bill retains the current definitions of property in resident and nonresident estates over which Connecticut has estate tax jurisdiction. For resident estates, Connecticut's jurisdiction extends to (1) real property in the state, (2) tangible personal property actually located here, and (3) intangible property regardless of location. For nonresident estates, Connecticut's jurisdiction extends to the first two of these three types of property.

Other Provisions

The bill uses the federal taxable gift threshold to determine whether a gift must be counted toward the $1 million exclusion. Smaller gifts do not count. Currently, a gift is taxable under federal law if it exceeds $11,000 per recipient, per year. The bill automatically incorporates any changes in the federal gift tax threshold unless the federal gift tax is repealed entirely, in which case, the threshold in effect on the day before the repeal remains in effect for Connecticut.

As with the federal gift tax, if the federal estate tax is repealed, the bill requires the federal law in force on the previous day to remain in effect for purposes of the Connecticut's tax.

Obsolete Section

The bill eliminates an obsolete provision stating that the purpose of Connecticut's estate tax law is to give the state the benefit of federal estate tax credits for state death taxes paid (since eliminated as already described). The provision also requires the law to be liberally construed and gives the Department of Revenue Services (DRS) commissioner any incidental and additional powers she needs to accomplish that purpose (§23).

EFFECTIVE DATES: Upon passage and applicable to gifts made and to estates of people who die on or after January 1, 2005. The repeal of the obsolete section is effective on passage.

§§ 9-12 – Income Tax Increase

OFA Fiscal Impact:

The bill is anticipated to result in a General Fund revenue gain of $462.5 million (18 months of collections) and $345.0 million in FY 07 (12 months of collections).

OLR Analysis:

The bill increases the number of personal income tax brackets from two to six by adding four new brackets for taxable incomes over $500,000 for joint filers, $265,500 for single filers, $396,000 for heads of household, and $250,000 for married people filing separately. It increases the tax rates on these higher-income brackets from a flat 5.0% to 5.75% to 6.5% for the 2005 tax year and 6% to 6.75% for the 2006 tax year and after.

Table 2 shows tax rates and brackets under the current law and the bill. The tax rates shown apply only to the taxable income in the applicable bracket, not to all of a taxpayer's income.

Table 2: Current And Proposed Tax Rates And Brackets

TAX RATES			**CT. TAXABLE INCOME (INCOME EXCEEDING APPLICABLE EXEMPTION)**			
			Married Filing Jointly or Surviving Spouse		*Single or Trusts & Estates*	
Current	**Bill (Tax Years Starting)** *1/1/05*	**Bill (Tax Years Starting)** *1/1/06 & after*	*From*	*To*	*From*	*To*
3.0%	3.0%	3.0%	$1	$20,000	$1	$10,000
5.0%	5.0%	5.0%	20,001	500,000	10,001	265,500
	5.75%	6.0%	500,001	750,000	265,501	398,500
	6.0%	6.25%	750,001	1,000,000	398,501	531,500
	6.25%	6.5%	1,000,000	2,000,000	531,501	1,062,500
	6.5%	6.75%	Over $2,000,000		Over $1,062,500	
TAX RATES			*Head of Household*		*Married Filing Separately*	
Current	**Bill (Tax Years Starting)** *1/1/05*	**Bill (Tax Years Starting)** *1/1/06 & after*	*From*	*To*	*From*	*To*
3.0%	3.0%	3.0%	$1	$16,000	$1	$10,000
5.0%	5.0%	5.0%	16,001	396,000	10,001	250,000
	5.75%	6.0%	396,001	594,000	250,001	375,000
	6.0%	6.25%	594,001	792,000	375,001	500,000

	6.25%	6.5%	792,001	1,580,000	500,001	1,000,000
	6.5%	6.75%	Over $1,580,000		Over $1,000,000	

The bill creates a rate schedule for married couples filing separately instead of including them in the single filers' schedule. It sets their tax brackets at 50% of those for married couple filing jointly. It also includes trusts and estates in the single filers' schedule, thus making their income tax rates progressive. Under current law, all trust and estate income is taxed at a flat 5.0%.

The bill requires DRS to issue special withholding tables by June 1, 2005 that reflect the bill's income tax changes from January 1, 2005, and that result as far as practicable in six months' of withholding under the new rates between March 1 and June 30, 2005. The commissioner must reissue withholding tables under the usual procedures for after June 30, 2005.

The bill requires taxpayers who must pay estimated tax through the year to adjust their June 2005 estimated tax payments for any increase that applies to them for the 2005 tax year. It also allows DRS to forgive interest and penalties for estimated tax underpayments attributable to the bill's tax rate increases. Taxpayers must nevertheless pay the full taxes due for the year.

EFFECTIVE DATE: Upon passage. Tax rate changes apply to tax years beginning on or after January 1, 2005.

§§ 13-15 – Income Tax Exemption for Military Retirement Income

OFA Fiscal Impact:

The bill is anticipated to result in a General Find revenue loss of $2.5 million beginning in FY 08.

OLR Analysis:

Starting with the 2008 tax year, the bill exempts 50% of federally taxable military retirement pay from the state income tax. The exemption applies to federal retirement pay to retired members of the U.S. Army, Navy, Air Force, Marines, Coast Guard, and Army and Air

National Guard.

EFFECTIVE DATE: Upon passage and applicable to income years starting on or after January 1, 2008.

§§ 16-18 – Delay in Income Tax Reduction for Single Filers

OFA Fiscal Impact:

The bill is anticipated to result in a General Fund revenue gain of $7.0 million in FY 06 and $20.0 million in FY 07.

OLR Analysis:

The bill delays, by two years, income tax reductions for single filers. It delays scheduled increases in (1) their adjusted gross income (AGI) exempt from the tax and (2) income thresholds for reducing their personal exemption, personal credit, and property tax credit.

The maximum personal exemption for single filers for 2004 is $12,625. Under current law, that maximum increased to $12,750 on January 1, 2005 and is scheduled to rise in five more annual steps to $15,000 on January 1, 2010. The bill delays the increase to $12,750 and each subsequent increase by two years. It also delays increases in the exemption reduction thresholds to correspond, as shown in Table 3. (The law reduces the income tax personal exemption by $1,000 for each $1,000 of AGI over a specified threshold, which varies according to filing status.)

Table 3: Scheduled Personal Exemption Increases For Single Filers

Tax Year(s)		*Maximum Exemption (AGI)*	*Exemption Reduction Threshold (AGI)*
Current Law	*The Bill*		
2004	2004-2006	$12,625	$25,250
2005	2007	12,750	25,500
2006	2008	13,000	26,000
2007	2009	13,500	27,000

2008	2010	14,000	28,000
2009	2011	14,500	29,000
2010 and after	2012 and after	15,000	30,000

The bill also delays increases in AGI thresholds for reducing single filers' personal and property tax credits against the income tax as shown in Table 4. (The law reduces credits by 10% for each $10,000 of AGI over a specified threshold, which varies according to filing status.)

Table 4: Scheduled Increases In Single Filer Personal And Property Tax Credit Reduction Thresholds

Tax Year		*Credit Reduction Threshold (AGI)*
Current Law	*The Bill*	
2004	2004-2006	$55,000
2005	2007	55,500
2006	2008	56,500
2007	2009	58,500
2008	2010	60,500
2009	2011	62,500
2010 and after	2012 and after	64,500

EFFECTIVE DATE: Upon passage and applicable to tax years beginning on or after January 1, 2005.

§ 19 – Business Tax Credit Review Committee and Tax Study

OFA Fiscal Impact:

Legislative Management will incur minimal costs for legislator mileage reimbursement for the members of the committee that are legislators. The current mileage reimbursement is 40.5 cents per mile.

There may be some cost associated with the unitary filing and multifactor apportionment study depending on its scope.

OLR Analysis:

Committee Membership and Qualifications

The bill revamps the corporation business tax credit review committee and renames it the business tax credit review committee. Under current law, the committee is responsible for evaluating corporation business tax credits and reporting the results of its study to the Finance, Revenue and Bonding Committee every five years. This bill requires it to report annually by February 15, starting in 2006. Under current law, no members have been appointed to the committee and it has never issued a report.

The bill reduces the committee's membership from 13 to 12 by eliminating the governor's appointment; makes the Finance, Revenue and Bonding Committee co-chairmen the review committee's co-chairmen; and requires its six appointed members to have specific qualifications. Under both current law and the bill, the review committee also includes the Finance Committee's ranking members and the DRS and DECD commissioners or their designees. The bill requires the committee to meet at least twice a year.

The bill requires appointed members to have the following qualifications:

Qualification	*Appointing Authority*
Business community representative	Senate president pro tempore
Municipal organization representative	House speaker
Labor organization representative	Senate majority leader
Attorney specializing in taxation	House majority leader
Accountant specializing in taxation	Senate minority leader
Economist	House minority leader

Tax Study

In addition to its current responsibility to study and evaluate existing credits against the corporation tax, the committee must study the potential effects of using unitary filing and multifactor apportionment formulas for the corporation tax (see BACKGROUND).

The committee must review other states' experience with unitary filing and multifactor apportionment and gather information about their advantages and disadvantages. The information must include their reported impact on business and employment growth and on related economic sectors in other states. The bill requires the committee to report its findings and recommendations for further action as part of its annual reports to the Finance Committee.

EFFECTIVE DATE: July 1, 2005

§§ 20 & 21 – Banking and Insurance Fund Revenue Transfers

OFA Fiscal Impact:

The bill will result in a General Fund revenue gain of $25.0 million in FY 07. The bill will also result in a revenue loss to the Banking Fund of $20.0 million in FY 07 and to the Insurance Fund of $5.0 million in FY 07.

OLR Analysis:

The bill transfers $20 million from the Banking Fund and $5 million from the Insurance Fund to the General Fund for FY 07.

EFFECTIVE DATES: Upon passage

§ 22 – General Fund Revenue Transfer

OFA Fiscal Impact:

The bill will result in a General Fund revenue loss of $46.8 million in FY 06 and a General Fund revenue gain of $46.8 million in FY 07.

OLR Analysis:

Before June 30, 2006, the bill requires the comptroller to transfer $46.8 million in FY 06 General Fund revenue to FY 07 General Fund revenue.

EFFECTIVE DATE: Upon passage

§ 22 – Repealer

OFA Fiscal Impact:

No fiscal impact.

OLR Analysis:

The bill repeals on obsolete section of the estate tax law as described above §§ 4-8.

EFFECTIVE DATE: Upon passage

BACKGROUND

Alternative Capital Base for Corporation Tax

The law requires nonfinancial services companies to calculate their corporation taxes based on both their net income and capital base and to pay the higher of the two. The capital base is the sum of the average value of a company's issued and outstanding capital stock, surplus and undivided profit, and surplus reserves, less the average value of deficits and stock holdings in private corporations. The capital base tax is 3.1 mills per dollar of capital base holdings.

Unitary Filing

Unitary filing refers to a system that would require a company with affiliates operating in both Connecticut and other states to file its corporation tax return in Connecticut as if it and all its affiliates were a single company. Connecticut does not currently require unitary filing.

Multifactor Apportionment

Multifactor apportionment formulas require companies operating in several states to apportion their net income to Connecticut for state corporation tax purposes based several aspects of their operations. For example, Connecticut requires most companies to use a three-factor formula incorporating property, payroll, and sales. Companies apportion their income to Connecticut for tax purposes based on the ratio of their operations in Connecticut compared to their total operations. But Connecticut also allows some types of companies, such as manufacturers and broadcasters, to use a single factor, which is the ratio of the company's sales in Connecticut to its total sales.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea	30	Nay	18